

## **ADOPTED MINUTES**

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 201 N. Washington Square, 4<sup>th</sup> Floor, Lansing, Michigan on February 13, 2001 at 9:15 a.m.

### **Members Present:**

Beth Chappel (by phone)  
Craig DeNooyer  
Sarah Deson-Fried  
Phil Kazmierski (acting for and on behalf of Gregory Rosine, authorization attached)  
Mary Lannoye (acting for and on behalf of Janet Phipps, authorization attached)  
Mark Murray  
Doug Rothwell  
Tim Ward

### **Members Absent:**

None

### **Others Present:**

Peter Anastor, MEGA, MEDC  
Kathy Blake, Senior Vice President, Business Development, MEDC  
Rick Blake, Edgewater Automation  
Tino Breithaupt, Global Business Development, MEDC  
Linda Dankoff, MEGA, MEDC  
Jim Donaldson, Business Development, MEDC  
Wes Hardenburg, Osmic, Inc.  
Valerie Hoag, Managing Director, Michigan Business Development, MEDC  
David Jeup, MEDC  
Kathy Kleckner, Account Manager, MEDC  
Jennifer Kopp, Communications, MEDC  
Lori LaPerriere, MEGA, MEDC  
John McGill, Osmic, Inc.  
Nicole Nystrom, MEDC  
Jim Paquet, MEGA, MEDC  
Tom Schimpf, Attorney General

### **Call to Order**

Chairman Rothwell called the meeting to order at 9:30 a.m.

### **Public Comment**

There was no comment from the public.

## Approval of Minutes from January 11, 2001 and February 1, 2001 Meetings:

It was moved, supported and carried that the minutes from the January 11, 2001 and February 1, 2001 meetings be adopted.

### Action Item:

Edgewater Automation  
1000 Miners Road  
St. Joseph, Michigan 49085

Jim Donaldson introduced Rick Blake of Edgewater Automation who gave a brief overview of the company.

Mr. Blake explained that the company provides custom industrial automation solutions to advanced manufacturing industries. The company currently works with Fortune 500 companies to make changes in products and processes to improve or facilitate mass production. Edgewater employs highly skilled people applying new technologies.

Mr Donaldson thanked Mr Blake and presented the project to the Board. Edgewater Automation, LLC is a start-up advanced technologies special machine manufacturer. The new company will conceptualize, design and build custom automation equipment primarily for the automotive, electronic and appliance industries. The custom machinery designed for assembly and inspection processes will serve special tasks that no industry standard equipment can perform. To maximize technological development, Edgewater will utilize emerging technologies and will have an alliance with Manders Industries BV, an advanced manufacturing supplier in The Netherlands, which will provide technical support and intellectual property.

Edgewater Automation plans to lease 40,000 square feet over a five-year growth period, in a built-to-suit facility in the St. Joseph Renaissance Zone. The company anticipates investing \$784,000 in the project, including \$484,800 in capitalized lease costs and \$300,000 in new machinery, equipment and computers.

Edgewater will hire 46 people within a five-year period, including 12 new employees in the first year of operation. The jobs will pay an average weekly wage of \$957, with a full benefit package. The company, with 40 percent of its business in research and development, would begin operations as soon as possible.

The economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, indicates that this facility will generate a total of 110 jobs in the state by the year 2005. Net state government revenues would be increased by \$1,513,000 (2001 dollars) through 2005 due to the project.

er is considering sites in Illinois, Ohio and Michigan for the start-up facility  
ll serve the Midwest market. The company indicates suitable space can be  
ailable at each of the locations being considered.

posed Michigan site is located in a Renaissance Zone within the City of St.  
This site would also provide the company with proximity to the automotive  
and other clients in the Midwest, the region that is the largest user of  
equipment in the U.S.

e of the Renaissance Zone, the company will not be paying any local or state  
y taxes, except debt service, the first eight years of the project. In the final  
ears of the Renaissance Zone the property taxes will phase back in with the  
y receiving a 75 percent abatement in year nine, a 50 percent abatement in  
n, and a 25 percent abatement in year eleven. The estimated value of local  
y tax savings is \$30,750. The estimated value of the six-mill State Education  
vings over the same time period totals \$3,970.

ater has also worked with and received assistance from Cornerstone Alliance  
ng rent subsidy, training and assistance with start up costs. The estimated  
of Cornerstone's commitments total \$25,000 over a three-year period.

mic Development Job Training funds will be offered to the company at \$700  
mployee for up to 46 net new employees for a total of \$32,200.

water must weigh these positives against competitive disadvantages in  
ing Michigan. First, the availability of the programming support for this type of  
ology is very scarce in Michigan. New employees must be recruited and  
d and the costs of recruiting people to Southwestern Michigan could be high  
ared to a community north of Chicago. Also, Edgewater's affiliate, Manders  
tries, has a facility located in Woodstock, Illinois, which would reduce logistical  
erns and shipping costs if the start-up located there. Ohio and Illinois also offer  
/ market financing programs and various tax incentives that would help to offset  
up costs for Edgewater.

#### ommendation:

Michigan Economic Development Corporation recommends a high-technology  
oyment credit of 100 percent for the initial two years, 75 percent for the third  
, and 50 percent for years four and five for up to 46 net new jobs.

#### rd Discussion:

Ward presented the report of the Executive Committee. He stated that because  
company was a start-up, a letter had been requested from the company's  
ountants indicating that the company would likely meet the 25 percent R & D

expenditure required to qualify for a high tech credit. He indicated that there was tremendous local support of the project.

Phil Kazmierski asked how the company was marketing its services.

Mr. Blake responded that at present, it is word-of-mouth. A marketing plan is currently being developed with Manders and the company intends to develop relationships with robotics suppliers and other technology companies.

Craig DeNooyer asked what Mr. Blake's experience in the industry was.

Mr. Blake responded that he had eleven years experience with Bosch and Dane Systems. Dane Systems partnered with Manders in a prior project, leading to the development of Edgewater Automation.

Doug Rothwell asked about Edgewater Automation's relationship with Manders.

Mr. Blake explained that Manders is a minority stockholder of the company.

Doug Rothwell asked who were the company's current competitors.

Mr. Blake stated that there were two, ATS and Wright Industries.

Chairman Rothwell asked if there were any other questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-004 awarding a MEGA tax credit to Edgewater Automation be adopted.

**Action Item:**

**Osmic, Inc.**  
1788 Northwood Drive  
Troy, Michigan 48084

Jim Donaldson introduced John McGill of Osmic, Inc., who presented an overview of the company.

Osmic, Inc. is a manufacturer of optical devices and coatings in the x-ray market which was spun-out of Energy Conversion Devices in 1985. It serves the traditional market of analytic instruments but expects to experience growth in the life sciences and semiconductor sectors over the next two years.

It is currently working on protein analysis applications which are an extension of the human genome project as well as medical imaging and therapy applications in the life sciences sector. In the area of semiconductors, the company is working on the next generation of lithography, which may lead to smaller, more powerful computer chips.

Mr. Donaldson thanked Mr. McGill and presented the project

Osmic's business expansion plans require the relocation of its existing operations in Troy to a larger facility. Osmic will invest \$9.8 million over the next five years, including \$5.3 million in land and building and \$4.5 million in equipment, to accommodate growth in employment from 40 to 140 employees within 5 years. Research and development expenditures are expected to reach 35 percent of the company's total operating budget. The new jobs will pay an average weekly wage of \$927. In addition, the company will pay fringe benefits worth approximately 25 percent of wages and employees will be eligible for annual cost of living adjustments and annual performance bonuses.

Osmic expects to start construction on its new facility in Auburn Hills in late February, and to complete construction by November of 2001. Start-up of operations in the new facility will occur by March 31, 2002.

The economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, indicates that this facility will generate a total of 198 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs and adjusted for inflation, would be increased by \$11.1 million (2001 dollars) due to the presence of this facility.

Although Osmic has been operating in Michigan for a significant amount of time, its customer base does not tie it to Michigan. The industries that Osmic services, pharmaceutical, analytical instruments and semiconductors, are not headquartered or clustered in Michigan. The research and development nature of the company's business allows it to be located virtually anywhere. Osmic's new parent company, Rigaku, has available land adjacent to an existing operation in Woodlands, Texas and would very much like to see Osmic locate there. Since one of the major new market areas of the company will be in microlithography, a location closer to the semiconductor industry makes sense from a synergistic perspective. Also, wage rates are lower by an average of ten to fifteen percent in Texas. In order to convince the company's parent that it makes sense for Osmic to stay and grow in Michigan, a package of incentives is necessary to balance these advantages.

The State of Michigan will offer an abatement of 100 percent of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$121,388.

The City of Auburn Hills will provide an abatement of 50 percent of the real and personal property taxes for a period of six years. The estimated value of this abatement is \$413,512.

**Recommendation:**

The Michigan Economic Development Corporation recommends a high-technology employment credit over a 12-year period, to include 100 percent for three years, 75 percent for three years, 50 percent for three years and 25 percent for three years for 100 net new jobs.

**Board Discussion:**

Tim Ward presented the report of the Executive Committee. The committee felt that Osmic was the type of company that the high tech MEGA was designed for. It also believed that fostering development of companies that could service the developing Life Sciences Corridor in Michigan was essential. It was the recommendation of the committee that the credit be awarded.

Doug Rothwell asked who the company's present competition was.

Mr. McGill explained it is the only commercial supplier of its type of products. The competition the company experiences is from universities which are beginning to get into custom production.

Craig DeNooyer asked why the company is considering staying in Michigan.

Mr. McGill explained that the work the company performs is highly specialized. The company has made a great investment in its current employees within Michigan and many do not wish to relocate.

Craig DeNooyer questioned where academic candidates would be drawn from.

Mr. McGill explained that their current workforce is diverse with employees from all over the world. It is the intent of the company to continue to recruit and train the best people from wherever they can be attracted.

Sarah Deson-Fried questioned why the company had no competition.

Mr. McGill explained that the analytic instrument market is old and entrenched, with little growth. The field is not as attractive to new companies as others. He also cited Osmic's aggressiveness in securing patents on its technology.

Chairman Rothwell asked if there were any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-05 awarding a MEGA tax credit to Osmic, Inc. be adopted.

### **Alsons Corporation – Amendment – Anniversary Date Extension**

Jim Donaldson presented the project to the Board.

In February 1998, the MEGA Board approved a tax credit for Alsons' Corporation to construct a new facility in Hillsdale. The company's anniversary date for creating its first 75 jobs was July 31, 2000. As of that date, the company had constructed the building and hired 68 employees. It did not create the required 75 new jobs until August 2000.

The company indicated that its failure to create the required 75 jobs by July 31, 2000, was due to local low unemployment rates, which affected its ability to recruit new hires. We feel that the company made a solid effort in living up to the requirements of the MEGA commitment and are asking the MEGA board to grant an extension of the company's anniversary date by one month to August 30, 2000 so that it can take full advantage of its MEGA award.

#### **Board Discussion:**

Phil Kazmierski questioned if the average weekly wage had been reviewed.

Jim Paquet responded that both the Base Employment and Average Weekly wage had been reviewed, and that it was staff's practice to review a company's performance against all the MEGA requirements before seeking amendments.

Chairman Rothwell asked if there were any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-006, amending Alsons Corporation's anniversary date be adopted.

The meeting was adjourned at 10:00 a.m.